H1 FY23 Investor Presentation

Mark Coulter CEO
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H1 FY23 Financial Highlights

Revenue

$207.1m

EBITDA $

$7.3m

EBITDA Margin
(incl The Build investment)

3.5%

Within FY23 guidance range of 3-5%

Cash Balance at 31 Dec 2022

$102.4m

Debt-free balance sheet leaves us well capitalised to take further market share and pursue inorganic opportunities

Australia's leading pure-play online retailer for furniture and homewares

Source: IBISWorld Online Home Furnishing Sales in Australia Industry Report and Online Household Furniture Sales in Australia Industry Report

Margin and cost base initiatives led to a more profitable Q2 vs LY

FY23 on track, H1 within target EBITDA range

- H1 FY23 EBITDA margin of 3.5% with The Build investment) or 4.7% without The Build investment
- Since Q4 FY22, TPW has been focusing on accelerating cost base initiatives and margin improvement programs. We believe this focus will ensure we win in any trading environment

Roll out of margin improvement programs

- Gross margin improvement of 180bps to 46.5% (Q2FY23 vs pcp) due to strategic pricing initiatives and better sourcing
- Shipping recovery improvements due to more accurate pricing (now ~100% of costs recovered)

Cost management strategies on track

- 9% reduction in headcount (31 Dec 2022 vs 30 June 2022) through natural attrition, supported by productivity gains
- 24% reduction in marketing spend (H1 FY23 vs pcp) due to improved efficiency & ROI
- ~40% reduction in our investment into our Home Improvement start up The Build as we take a longer view of the significant market opportunity

More profitable Q2 despite revenue headwinds

- The effect of these programs can be seen in Q2 results
- Despite a 6% headwind to revenue, the Group delivered an improved EBITDA result ($5.2m vs $4.6m, Q2 FY23, up 11.8% vs pcp),
- Stripping out the investment in The Build, EBITDA improved to $6.5m for the quarter, representing a 6.1% EBITDA margin (up from 4.0% vs pcp)

We remain confident in our path back to double digit revenue growth

B2C trading improved over the half; B2B trading remains strong

- H1 FY23 was going to be the toughest period for yoy comparisons due to the timing of lockdowns in FY22
- Q1 Revenue down 18% vs pcp; Q2 revenue down 6% vs pcp; Dec-22 up YoY
- Repeat customers have grown to 57% of the business; 7% increase in revenue per active customer
- Trade & Commercial and Home Improvement revenue up 17% and 12% respectively (H1 FY23 vs pcp)

TPW's business model and price position are natural hedges for tougher trading environments

- 72% of sales have no inventory risk (drop-shipped products) allowing fast, risk-free movements in best sellers
- Less discretionary items such as bedroom furniture, plus value ranges are currently outperforming
- We have increased investment in entry-level product (landing Q4)
- TPW's customer proposition around affordable beauty is well suited to any further changes in the macro environment

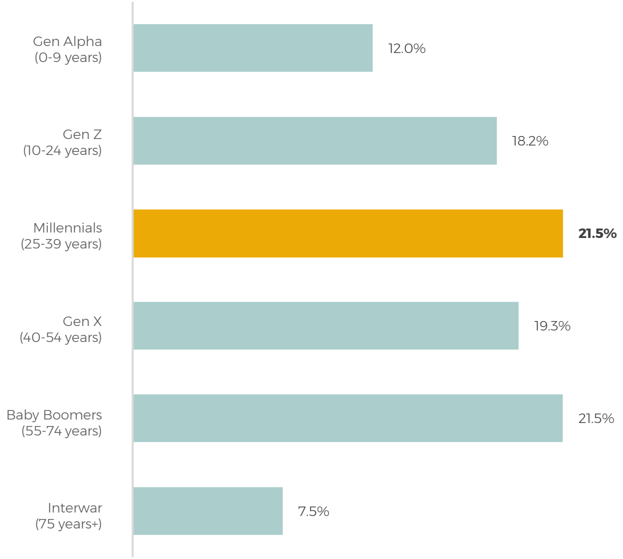
Australian Furniture and Homewares ecommerce market is still in its infancy

- Furniture & Homewares is a $18+ billion market in Australia
- Ecommerce penetration in Australia for this market still significantly lags other markets such as the US and UK
- The underlying shift from offline to online is driven by demographics and technology (which are independent of macroeconomic factors)
- TPW's financial strength (both unit economics and balance sheet) should allow further market share gains especially as competitors weaken

Source:: ABS Retail Sales data, Euromonitor 2022 Retailing Ecommerce

We are building a business that will resonate with the next wave of consumers

Australian population by generation



- **Millennials are becoming the largest generation and are the first digital natives** to enter core furniture and homewares buying years.
- Millennials are one of our **fastest growing cohorts** on T&W.
- This generation is **accustomed to purchasing everything online** (fashion, travel, electrics, food, etc).
- Our **target market will grow** as this generation increasingly enters the 35-55 age group.
- **Work from home is now embedded** into the work lives of many Australians, creating a new market within the +18b furniture and homewares industry.

Source: ABS Census (2021), ABS Retail Sales data

Our strategy is based on range, inspiration and service

Our Core Belief

We believe everyone wants to live more beautifully.

Our Vision

Our vision is to make the world more beautiful, one room at a time.

Our Mission

Our mission is to deliver beautiful solutions for our customers' homes and work spaces, and for all of our other stakeholders, including suppliers and shareholders.

Our Goal

We believe if we can deliver on our strategic pillars (below), Temple & Webster will become the first place Australians turn to when shopping for their homes and work spaces.

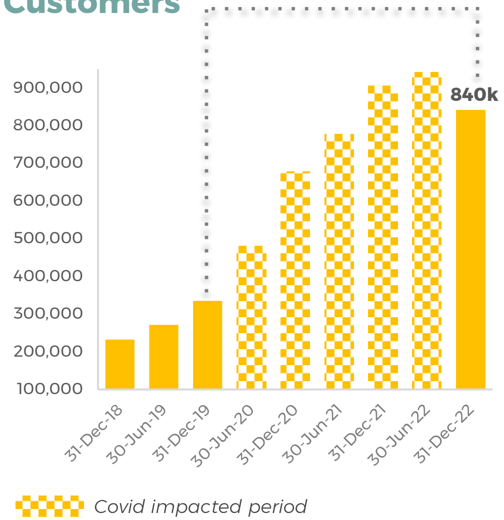
Our Strategic Pillars

We want to be famous for having the best range in our category, the most inspirational content and services and the best delivery experience & customer service.

Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing team.

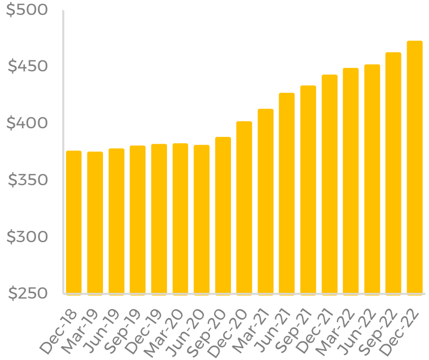
Revenue growth supported by growing repeat customer base

Active Customers



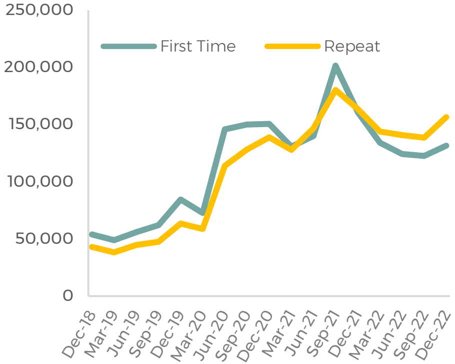
Active customers substantially larger than pre-Covid with a 36% CAGR from Dec-19

Revenue per active customer up 7%



Driven by both Average Order Value ('AOV') growth and repeat orders

57% of orders are now from repeat customers



Orders from repeat customers continue to increase vs new customers which will increase returns on marketing spend

Revenue per active customer = Last 12 months revenue divided by active customers
Metrics that will not be reported going forward: 23m page impressions from 3.6m website users per month (Nov-22), 4.3m subscribers; ~950k combined social media reach

Canstar Blue awarded us the furniture retailer with the most satisfied customers in 2022

Rated brands	Overall satisfaction*	Value for money	Customer service	Checkout experience	Product availability	Store layout and presentation	Website experience
Temple & Webster	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	N/A	★★★★★
Major Retailer 1	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★
Major Retailer 2	★★★★	★★★	★★★★★	★★★★	★★★	★★★★★	★★★★
Major Retailer 3	★★★★	★★★★	★★★	★★★★	★★★★	★★★	★★★★
Major Retailer 4	★★★★	★★★	★★★★★	★★★★	★★★★	★★★★	★★★
Major Retailer 5	★★★	★★★	★★★	★★★	★★★	★★★★	★★★

- Based on independent customer survey data, Temple & Webster was awarded the furniture retailer with the most satisfied customers by Canstar Blue in 2022

- Internally, our Net Promoter Score tracked to 64% (Q1) and 61% (Q2) (score ranges from -100% to 100%) which means the majority of our customers rate Temple & Webster 9 or 10 out of 10

- Of the top 6 retailers we were the only online-only retailer with the other 5 retailers predominantly store based

- Temple & Webster was the only retailer to receive 5 stars across all relevant important customer satisfaction drivers including:
  - Overall Satisfaction
  - Value for Money
  - Customer Service
  - Checkout Experience
  - Product Availability, and
  - Website experience

Source: Canstar Blue customer satisfaction research, conducted through online sample aggregation from ISO accredited panels (December 2022)

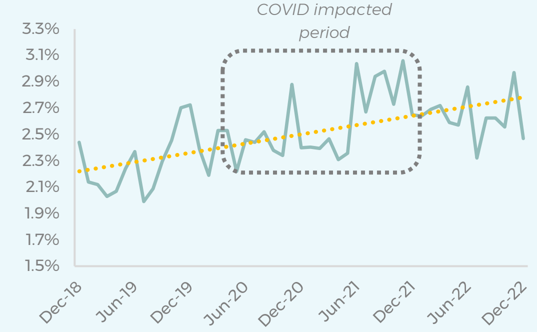
Using data and AI to drive higher conversion rate and lower CODB

Data is core to everything we do

We continue to expand our data capabilities:

- Expansion of our onshore Data & Analytics team
- Investment into an Israeli Artificial Intelligence start up specialising in the interiors space. We are the exclusive partner for Australia

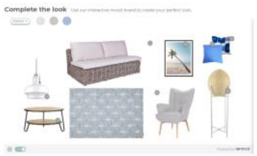
Conversion rate by month



Conversion rate = number of transactions divided by number of unique visitors (source: Google Analytics)

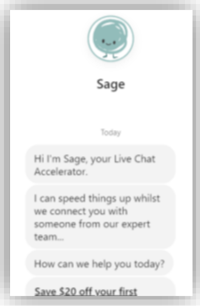
AI Interior Designer

"Complete the Look" combines automatic labeling through deep-learning image recognition and AI-powered algorithms to match suitable items and make adjustments based on labels such as design, style, shape and color.



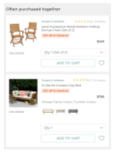
Meet Sage, our AI Chatbot

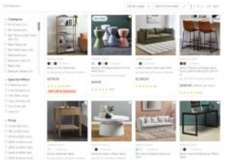
Customer support experience enhanced by leveraging AI and deploying an NLP-powered (Natural language processing) chatbot that seamlessly handles both pre-sale and post-order inquiries.



Data-led optimisations

Improved customer engagement by deploying an AI-powered solution that leverages customer behaviour data to improve product recommendations and delivers a more relevant shopping experience.



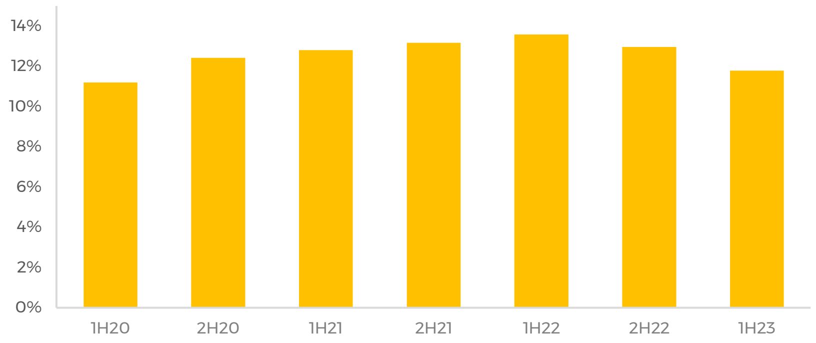


ML Demand Planning

Inventory optimisation through a Machine Learning model that generates demand forecasts with increased accuracy, scalability, and granularity.

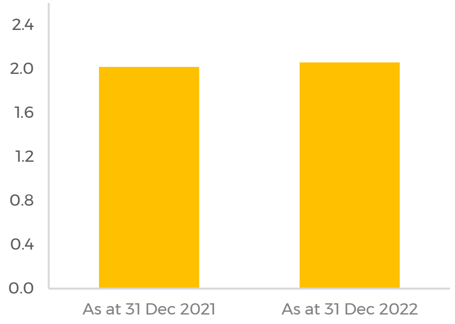
Flexing marketing spend based on market conditions

Marketing spend as % of revenue has been recalibrated



- Short-term recalibration of marketing spend, with shift to proven digital marketing channels
- H1 FY23 marketing spend was 11.8% of revenue vs 13.6% for pcp
- Despite a reduction in spend, aided brand awareness grew to 63%
- Return to focus on brand building from FY24 onwards

12-month marketing ROI

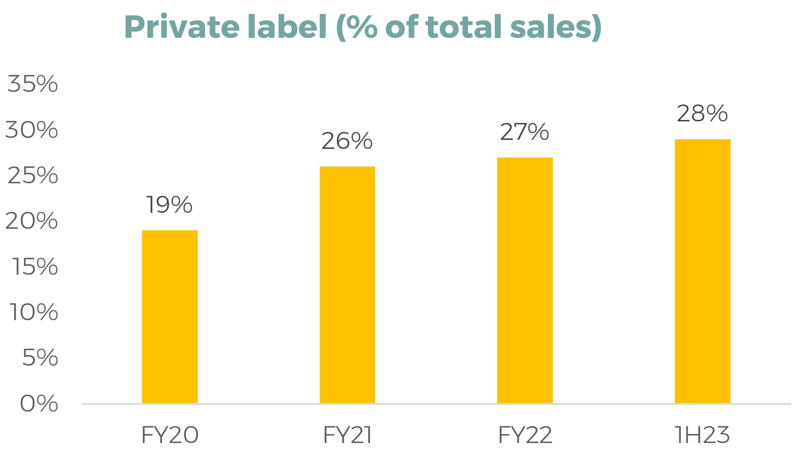


$69 Customer Acquisition Cost (CAC)

CAC and marketing ROI has remained stable YoY

Marketing ROI = Margin $ / CAC
Margin = Revenue per active customer as at 31 December 2022 x delivered margin % for CY22
CAC = Total marketing spend for CY22 x 73% (being the estimated percentage of marketing spent on new customer acquisition, i.e., excludes estimated spend on repeat customers) divided by the number of first-time customers during CY22, all metrics exclude The Build

Private Label share continues to grow, supporting our goal of this becoming the best range in our category



Private label contribution increased to 28% in H1

The range offers **better price positions** relative to offline.

Private label also generates higher margins and enhances logistical efficiency by placing inventory closer to customers.

Less discretionary items, such as bedroom furniture, will be a key focus area for private label during weaker macro conditions

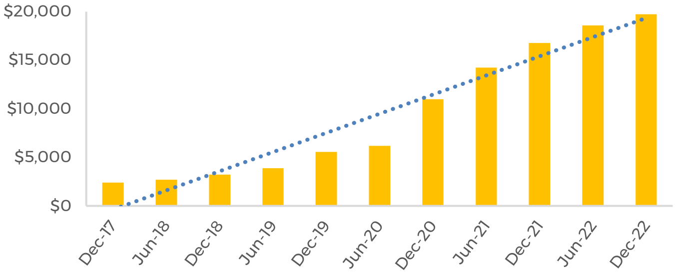
We have increased our investment in entry-level products (landing Q4) where we can see increases in customer demand

Strong inventory position across all categories heading into H2. The range is sourced and imported directly by Temple & Webster from more than 100 overseas suppliers.

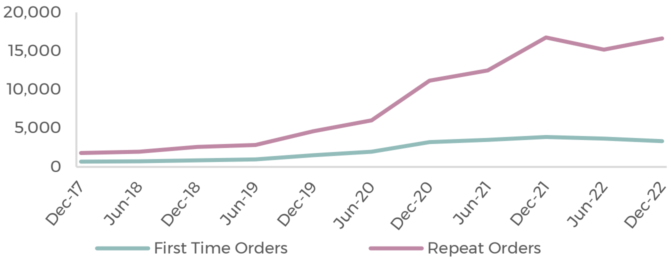
Opportunity in Trade & Commercial beginning to materialise

Revenue

$'000s.



First time & repeats



Revenue based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision)

Our trade and commercial division continued to deliver a solid contribution despite challenging macro conditions.

- +17% revenue growth YoY with a focus on margin growth
- New customer acquisition continues to be a focus in specific sectors
- The launch of a dedicated Design & Projects team to focus on design, procurement and smooth delivery of large-scale projects
- Trade and commercial (B2B) is a large market with attractive fundamentals; no household brands, relationship based, lack of technology, fragmented market and high margins

Good progress with Home Improvement, with a more prudent investment approach

Attractive growth horizon and complementary revenue stream

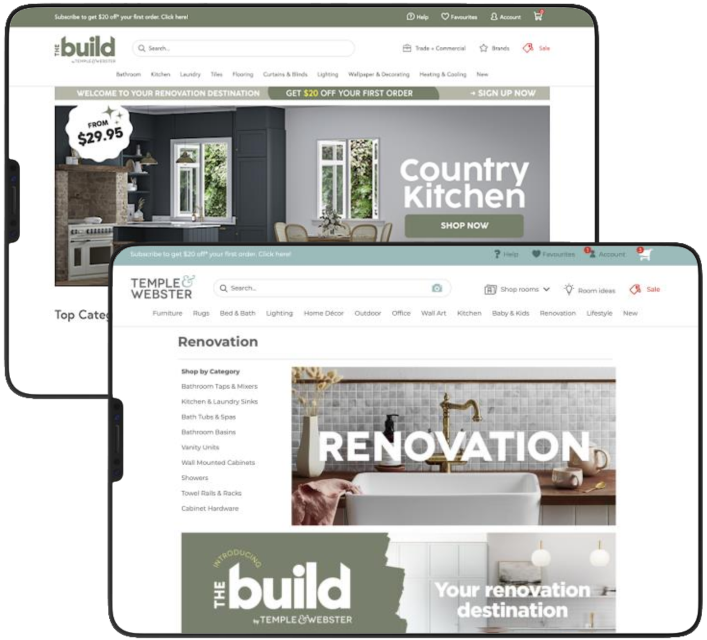
- Home improvement (across T&W and The Build) up 12% and represents ~6% of the Group
- Large $16b addressable market which lags furniture and homewares in terms of online penetration <5%
- Opportunity to maximise share of spend in the home and cross-sell into our core furniture and homewares business

More prudent investment approach to The Build

- Strategic decision made to lower overall investment in The Build (people, marketing, working cap) whilst the opportunity is still nascent
- This will moderate the short-term rate of growth for The Build but will lower level of investment required to ~$6m vs previously disclosed $10m

Small existing position with beachhead into strong market

- Well placed to deliver a compelling online customer value proposition in the consumer renovations space; leveraging our deep expertise, audience & brand reach, and strengths across our core furniture & homewares offering



H1 FY23 Financial Results

H1 result within our 3-5% target range, despite revenue headwinds

As foreshadowed, revenue declined 12% YoY for the half as a result of **comparing against periods in the prior year impacted by lockdowns**

This presented the Group with an opportunity to **leverage investments** made during FY21/22 with a **focus on improving margin and cost base metrics**

H1 actions included

- **focusing on proven ROI marketing channels,**
- shifting $$ from marketing into a **higher level of promotional activity** to drive higher conversion and
- **moderating the rate of long-term investments** (i.e. headcount, The Build etc.)

This led to **improved contribution margin levels** (+15%) and a moderation in fixed cost growth resulting in an **EBITDA result of 3.5%** or 4.7% excluding The Build investment of $2.3m

Adjusted EBITDA excludes share-based payments
EBIT includes the impact of depreciation of right-of-use asset representing long term leases in line with AASB16 Leases, including depreciation for dedicated warehousing space which started in Mar-21.
EBITDA result of 4.7% excludes The Build investment of $2.3 and excludes The Build's revenue contribution

A$m	H1FY22	H1FY23
Revenue	**235.4**	**207.1**
Cost of Sales	(129.7)	(112.7)
Gross Margin	**105.7**	**94.4**
	44.9%	*45.6%*
Distribution	(34.0)	(32.6)
Delivered Margin	**71.7**	**61.8**
	30.5%	*29.9%*
Advertising & Marketing	(32.0)	(24.4)
Customer Service & Merchant Fees	(7.3)	(6.1)
Contribution Margin	**32.4**	**31.2**
	13.8%	*15.1%*
Wages	(13.2)	(15.0)
Other	(6.4)	(7.8)
Adjusted EBITDA	**12.7**	**8.5**
	5.4%	*4.1%*
Share Based Payments	(0.7)	(1.2)
EBITDA Group	**12.0**	**7.3**
	5.1%	*3.5%*
Depreciation & Amortisation	(1.5)	(2.3)
EBIT	**10.6**	**5.0**
	4.5%	*2.4%*
EBITDA excluding The Build investment	**12.0**	**9.6**

Q2 metrics are even better with YoY growth in EBITDA

Unit economics continue to improve despite YoY revenue headwinds, **leading to an EBITDA result of $5.2m, up 11.8% vs Q2 FY22**

Strong positions with suppliers assisted with negotiating better margin outcomes (despite increases in local shipping costs) and **optimisation of marketing channels** helped achieve a strong contribution margin outcome

Supplier inventory levels remain elevated, providing us with an opportunity to assist in clearing this stock and we continue to see **signs of pricing deflation** which should support CY23 margins

Importantly, **revenue growth has trended in a positive direction post comping lockdown periods** with Q1 down 18%, Q2 down 6% and Dec-22 up vs Dec-21

Adjusted EBITDA excludes share-based payments
EBIT includes the impact of depreciation of right-of-use asset representing long term leases in line with AASB16 Leases, including depreciation for dedicated warehousing space which started in Mar-21.

A$m	Q2FY22	Q2FY23
Revenue	**114.5**	**108.0**
Cost of Sales	(63.4)	(57.8)
Gross Margin	**51.1**	**50.2**
	44.7%	*46.5%*
Distribution	(16.5)	(17.3)
Delivered Margin	**34.6**	**33.0**
	30.2%	*30.5%*
Advertising & Marketing	(15.5)	(12.8)
Customer Service & Merchant Fees	(3.9)	(3.0)
Contribution Margin	**15.3**	**17.2**
	13.4%	*16.0%*
Wages	(6.7)	(7.1)
Other	(3.6)	(4.3)
Adjusted EBITDA	**5.0**	**5.8**
	4.4%	*5.4%*
Share Based Payments	(0.4)	(0.7)
EBITDA Group	**4.6**	**5.2**
	4.0%	*4.8%*
Depreciation & Amortisation	(0.8)	(1.5)
EBIT	**3.8**	**3.6**
	3.4%	*3.4%*
EBITDA excluding The Build investment	**4.6**	**6.5**

Our longer-term margin targets (+15%) remained unchanged

Substantial progress has been made from FY17 to FY22 in terms of the unit economics.

We are targeting an improvement in our unit economics each year, even after investment into key areas such as home improvement, data & analytics and private label expansion.

We will do this through margin expansion initiatives and phasing growth investments.

T&W Group	FY17	FY22	Longer Term Goal
Revenue	100%	100%	100%
Delivered Margin (after distribution costs)	**27.6%**	**30.2%**	**>33%**
Customer Service Staff & Merchant Fees	4.7%	3.3%	<3%
Advertising & Marketing Costs	12.6%	13.3%	<10%
Contribution Margin	**10.3%**	**13.6%**	**>20%**
Wages	17.2%	6.3%	<4%
Other	4.1%	2.8%	<2%
EBITDA Margin	**(11.0%)**	**3.8%**	**>15%**

Key Levers

- **Scale benefits with suppliers, private label/made-to-order share increases, improved logistical efficiencies**
- **Customer service to return to pre-covid levels with natural cost management and transaction costs to reduce with further optimisation**
- **Repeat orders grow to 80%+ total business (which run at a lower marketing cost)**
- **Price and promotions to drive customer conversion**
- **This will still allow investment into key areas, however fixed costs to grow at a slower pace than top line**
- **Scale benefits with other fixed costs e.g., tech licensing, in-sourcing consultants costs**

All periods include the impact of the new accounting standard AASB16.

Strong net cash position, with excess funds to be deployed

Balance sheet strength with cash levels in excess of $100m and no debt

Our **capital light business model** ensures balance sheet risks are minimised with the majority of the business having zero inventory risk

Lease liabilities have increased as a result of signing of a **new long-term lease for our head office at St Peters Sydney**

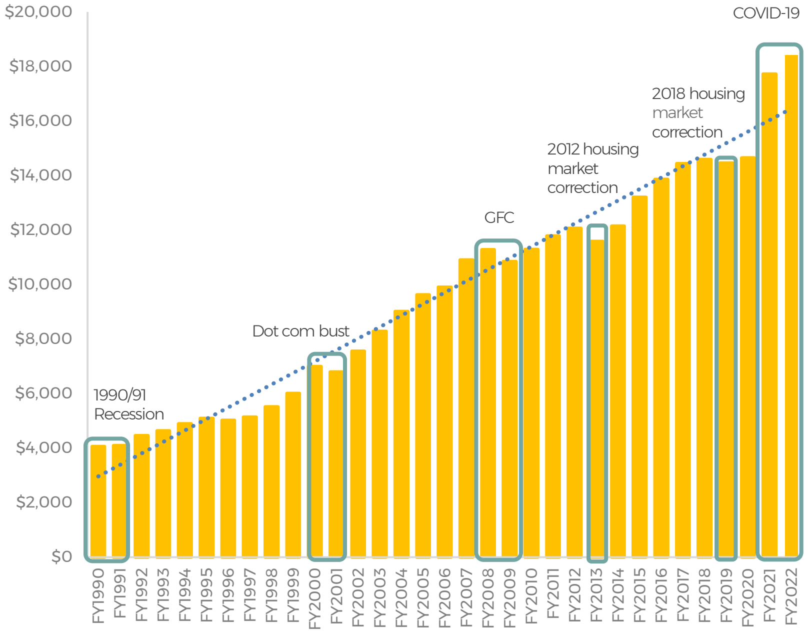
Operating cash flow positive, with in excess of $100m cash to deploy across accretive organic and inorganic opportunities

A$m	30-Jun-22	31-Dec-22
Assets		
Cash & Cash Equivalents	101.0	102.4
Inventories	26.4	25.7
Income tax receivable	0.0	2.6
Other current assets	6.0	3.5
Intangibles, (inc. goodwill)	8.1	8.0
Right-of-use assets	5.4	26.8
PPE	6.0	7.5
Deferred tax assets	14.4	14.4
Investment in Renovai	3.1	2.6
Total Assets	170.3	193.6
Liabilities		
Trade payables	36.6	32.4
Deferred revenue	14.1	12.9
Employee provisions	5.5	5.1
Other provisions	4.3	5.8
Lease liabilities	5.1	26.2
Income tax payable	1.9	0.0
Total Liabilities	67.4	82.4
Net Assets	**102.9**	**111.2**
Equity		
Contributed capital	115.8	126.8
Reserves	11.3	4.7
Retained earnings	(24.2)	(20.3)
Total Equity	**102.9**	**111.2**

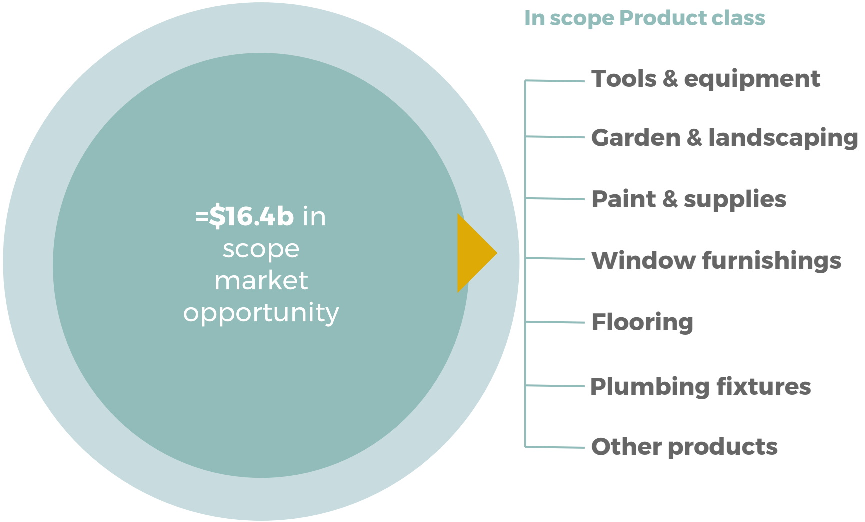
Strategy & Outlook

Resilient market with a group TAM now in excess of $30billion

The ~$18b furniture and homewares market is stable and has shown steady growth, even through periods of high interest rates, high inflation, recessionary periods and housing market declines



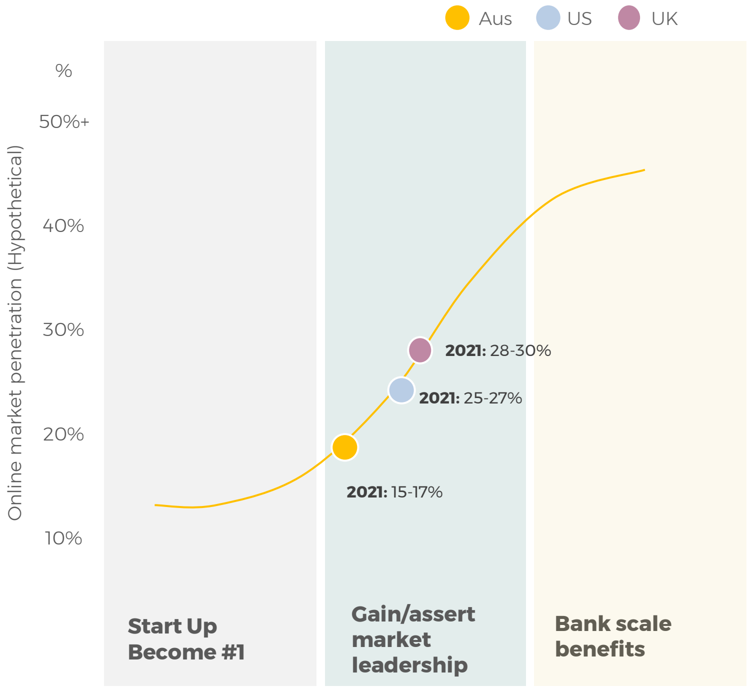
Home improvement adds a further ~$16b to our TAM (in-scope categories only)



TAM of >$30bn includes furniture and homewares B2C and B2B as well as home improvements markets
Source:: ABS Retail Sales data

Our core furniture and homewares category will provide strong growth for many years due to online penetration and market share increases

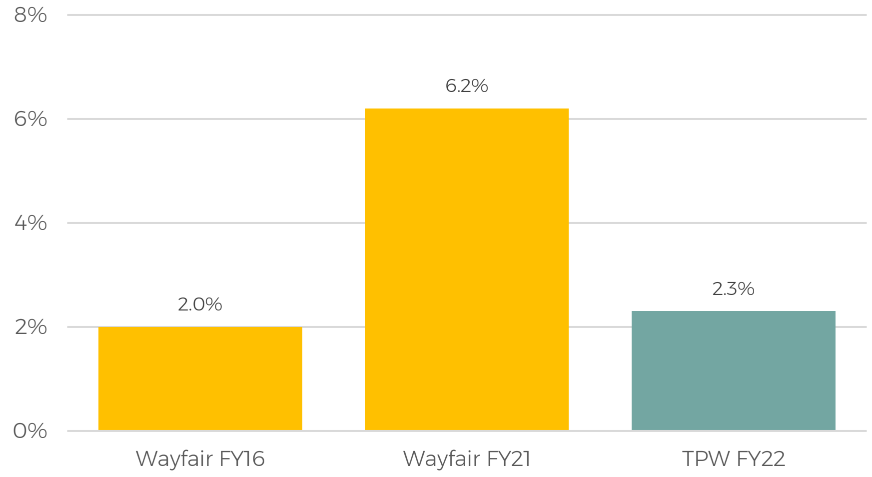
Australia furniture and homewares market significantly lags the online penetration of other countries such as the US and UK



Source: Euromonitor 2022 Retailing Ecommerce

In the US, the online market leader, Wayfair, tripled its market share of the entire furniture and homewares market from 2% to 6% to become one of the largest furniture and homewares retailers (if not the largest)

Market Share of total furniture and homewares market (Wayfair = US; TPW = Australia)



Source: ABS Retail Sales data, Statista

Our core markets have different fundamentals than many other ecommerce categories, providing a clearer path to sustainable profit

Fundamental Quality	Benefit
Large AOV/ Good margins	• Many costs are variable and related to the order (e.g. pick & pack, customer care) • Higher Average Order Values and margins allow for larger order profitability and larger customer acquisition costs • Furniture is a high margin category relative to some others (consumer electronics, appliances etc.)
Mostly unbranded category	• Most of the category is sold under the retailer brand (vs the supplier). For example, >75% of what Temple & Webster sells is either white-labelled or sold under a Private Label • This allows more catalogue differentiation and means there is a bigger opportunity for higher-margin initiatives such as private label
Bulky is difficult	• Logistics around bulky goods is difficult, specialized and expensive • This naturally reduces the level of competition in the space, but also provides a clear reason for customers to shop those companies who can provide a consistent delivery experience
International shipping prohibitive for bulky	• Air freight is prohibitively expensive for bulky deliveries • This reduces the number of competitors shipping into Australia allowing for greater market share and higher margins

Our strategy to continue to take further market share

Add depth and breadth across our core and adjacent categories; **grow private label division**

Expand digital capabilities: data, personalisation, AI, augmented reality

Increase brand awareness from 63% to +80% through digital and non-digital channels

Add inspirational content & service: video; 3D; AR/VR; design help

Focus on exceptional customer service and a great delivery experience to drive repeat behaviour

Continue to build out next growth horizons (Trade & Commercial and Home Improvement)

Trading update & outlook

- Sales from the 1st of Jan to the 5th of February (first 5 weeks of 2H FY23) were down 7%, noting the pcp was significantly impacted from strong ecommerce demand during the Omicron outbreak.
- We note that December 2022 sales were up slightly vs December 2021, a trading period that was not impacted by Omicron.
- Given the current economic uncertainty, we will continue to focus on margin optimisation and cost management programs to be adaptable to changing market conditions, prioritising profitability over growth. We reiterate our EBITDA margin guidance of 3-5% for the full year.
- We have over $100m of cash to expand our roadmap of sales initiatives and pursue inorganic opportunities to support sustainable growth.
- Longer-term, ecommerce in the Australian furniture & homewares category remains highly under-penetrated, and we have a much larger addressable market to go after in our new target verticals.

Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue and refund provision).


Q&A

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